



Brownfields Cleanup Revolving Loan Fund Pilot

Sacramento, CA

Outreach and Special Projects Staff (5101)

Quick Reference Fact Sheet

EPA's Brownfields Economic Redevelopment Initiative is designed to empower states, communities, and other stakeholders in economic redevelopment to work together in a timely manner to prevent, assess, safely clean up, and sustainably reuse brownfields. A brownfield is a site, or portion thereof, that has actual or perceived contamination and an active potential for redevelopment or reuse. EPA is funding: assessment demonstration pilot programs (each funded up to \$200,000 over two years), to assess brownfields sites and to test cleanup and redevelopment models; job training pilot programs (each funded up to \$200,000 over two years), to provide training for residents of communities affected by brownfields to facilitate cleanup of brownfields sites and prepare trainees for future employment in the environmental field; and, cleanup revolving loan fund programs (each funded up to \$500,000 over five years) to capitalize loan funds to make loans for the environmental cleanup of brownfields. These pilot programs are intended to provide EPA, states, tribes, municipalities, and communities with useful information and strategies as they continue to seek new methods to promote a unified approach to site assessment, environmental cleanup, and redevelopment.

BACKGROUND

The City of Sacramento has many low-income neighborhoods characterized by dilapidated commercial strips, substandard housing, inadequate infrastructure, and general blight. Many of these neighborhoods contain: abandoned junk yards, former plating and metal-working shops, closed dry cleaners, and vacated auto repair operations. Pursuant to a state redevelopment law, Sacramento has designated nine impoverished and deteriorated neighborhoods as Redevelopment Project Areas. The city uses tax increment financing, and partners with city agencies, prospective developers and project area committees (comprising neighborhood residents, property owners, and businesses) to revitalize these distressed areas to best meet community needs.

Sacramento has selected four of these Project Areas as targets for the BCRLF Pilot, including North Sacramento, Oak Park, Stockton Boulevard, and the R Street Corridor (a portion of the Downtown Project Area). The median household income in each target area is at least 20 percent lower than the average income in Sacramento County. Each of the target areas contain many brownfields sites, and their redevelopment is being vigorously pursued. Following the first round of lending, the Sacramento BCRLF

PILOT SNAPSHOT



Sacramento, California

Date of Award:
September 1997

Amount: \$350,000;
\$150,000 supplement
funding awarded May 1999

BCRLF Target Area :
Sacramento's Redevelopment
Project Areas: North
Sacramento, Oak Park,
Stockton Boulevard, and the
R Street Corridor.

Contacts:

City of Sacramento
(916) 264-8196

Regional Brownfields Team
U.S. EPA - Region 9
(415) 744-2237

Visit the EPA Region 9 Brownfields web site at:
<http://www.epa.gov/region09/waste/brown/index.html>

For further information, including specific Pilot contacts,
additional Pilot information, brownfields news and events, and
publications and links, visit the EPA Brownfields web site at:
<http://www.epa.gov/brownfields/>

program may add other Redevelopment Project Areas with a significant number of brownfields sites to the program.

BCRLF OBJECTIVES

The Sacramento BCRLF program will leverage the EPA grant money with other financial tools available to the city for use in the target areas. The city will use the revolving loan fund as a source of short-term financing for environmental cleanup prior to sale or development of the property. A BCRLF loan will be offered as part of a redevelopment package approved by both the city and the community, whereby the city can provide additional incentives to facilitate cleanup and redevelopment. This approach will ensure that the property is cleaned up and put to productive reuse consistent with the community's needs.

FUND STRUCTURE AND OPERATIONS

The city anticipates making up to six loans from the original loan pool. The initial round of lending is expected to be closed within three years of grant approval.

The City of Sacramento will act as the Lead Agency. The Sacramento Housing and Redevelopment Agency (SHRA) will serve as the Fund Manager. Loan applicants will be required to conduct cleanup under the California Department of Toxic Substances Control (DTSC) Voluntary Cleanup Program. The DTSC will serve as Site Manager, ensuring compliance with CERCLA and other applicable environmental laws. SHRA will evaluate the borrower's financial capability and credit history, as well as his/her ability to manage the cleanup, as part of the underwriting process. Similar to many construction loans, the BCRLF loans will be structured with interest-only payments until cleanup is complete. Loans will be written for no more than three-year terms, with repayment expected from sale or refinancing of the property. A post-cleanup appraisal of the property will be required to insure the loan-to-value ratio will not be greater than 85 percent, including the BCRLF loan and all prior financing.

LEVERAGING OTHER RESOURCES

By coupling the revolving loan program with other redevelopment initiatives and funds, including programs established for financing environmental assessment, the city hopes to put together packages that address a spectrum of brownfields problems—both the contamination and the underlying economic issues. In some cases, other sources of cleanup and/or redevelopment funding may be available (e.g., the state underground storage tank fund, responsible party contributions, city tax increment financing, and non-profit grants).

Use of BCRLF Pilot funds must be in accordance with CERCLA, and all CERCLA restrictions on use of funding also apply to BCRLF funds.
